

Message Text

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ACTION EA-14

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TO /SECSTATE WASHDC 3887

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/AMCONSUL SYDNEY 2543

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TAGS: EINV, EFIN, ENRG, IT, AS

SUBJECT: PRIME MINISTER SPEAKS ON FOREIGN INVESTMENT
AND URANIUM

REF: (A) CANBERRA 3669 NOTAL

(B) CANBERRA 3372 NOTAL

(C) CANBERRA 2786 NOTAL

(D) CANBERRA A-101 , MAY 2, 1973, NOTAL

1. IN AUGUST 12 SPEECH TO ITALIAN CHAMBER OF COMMERCE
IN SYDNEY, PRIME MINISTER WHITLAM REITERATED GOA
INTENTIONS TO BROADEN AND FORMALIZE ITS SCREENING
PROCEDURES FOR PROPOSED FOREIGN INVESTMENT VENTURES.

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HE SAID GOVERNMENT WILL SEEK THREE BAIC EXTENSIONS

OF EXISTING FOREIGN TAKEOVERS LEGISLATION TO: (A) COVER PURCHASE OF ASSETS AS WELL AS SHARES OF AUSTRALIAN COMPANIES; (B) IMPOSE COMPULSORY NOTIFICATION REQUIREMENTS FOR FOREIGN COMPANIES PROPOSING TO TAKE OVER SUCH ASSETS; AND (C) COVER FOREIGN-CONTROLLED COMPANIES WITH SIGNIFICANT MINORITY AUSTRALIAN EQUITY, REQUIRING THEM TO OBTAIN GOA APPROVAL OF ANY ACTION (E.G. SHARE ISSUE OF SHARE SWAP) WHICH WOULD DIMINISH AUSTRALIAN PERCENTAGE OF OWNERSHIP.

2. WHITLAM EMPHASIZED THAT FOREIGN COMPANIES ALREADY OPERATING IN AUSTRALIA WILL BE EXPECTED TO CONFORM WITH SAME AUSTRALIAN NATIONAL INTEREST GUIDELINES AS NEW FOREIGN INVESTMENT. STATING THAT SUCH GUIDELINES WILL BECOME "MORE DEFINITE AS OUR EXPERIENCE GROWS." HE INDICATED THAT ITEMS TO BE CONSIDERED IN DETERMINING WHETHER NEW FOREIGN INVESTMENT PROPOSALS SERVE NATIONAL INTEREST WILL INCLUDE: LEVEL OF AUSTRALIAN OWNERSHIP, RESEARCH AND DEVELOPMENT EXPENDITURES, LICENSING OF TECHNOLOGY, PURCHASING POLICIES, TAX EFFECTS , SIZE AND LOCATION OF PROPOSED NEW PROJECTS, MARKETING ARRANGEMENTS, ENVIRONMENTAL ASPECTS, LABOR RELATIONS AND ABORIGINAL INTERESTS. PRIME MINISTER ADDED THAT GOA IS NOT LOOKING AT FOREIGN INVESTMENT IN NEGATIVE WAY, STATING THAT IT RECOGNIZES AUSTRALIA STILL NEEDS OVERSEAS EXPERTISE, TECHNOLOGY AND CAPITAL" AS WELL AS LOANS AND LONG-TERM CONTRACTS.

3. BECAUSE OF ITALIAN ORIENTATION OF HIS AUDIENCE, WHITLAM DISCUSSED SYMPATHETICALLY THE EFFORT OF ITALY'S ENTE NAZIONALE D'INDUSTRIE (ENI) TO GAIN EQUITY SHARE IN RANGER URANIUM DEPOSIT (REF D). HOWEVER , AFTER NOTING GOA'S DECLARED OBJECTIVE OF 100 PERCENT AUSTRALIAN OWNERSHIP OF ALL LOCAL URANIUM DEVELOPMENT PROJECTS, PRIME MINISTER STRONGLY INTIMATED EQUITY WILL BE DENIED ENI. HE SOMEWHAT UNCTIOUSLY PROMISED THAT "ITALY WILL GET A PROPER PROPORTION OF ALL THE URANIUM WE HAVE TO EXPORT."

4. EMBASSY COMMENT: LATEST WHITLAM SPEECH MOSTLY LIMITED OFFICIAL USE

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RESTATES GOA INTENTIONS REVEALED IN HIS MAY 2 ELECTION SPEECH (REF C) AND JUNE 12 STATEMENT ON SECOND FOREIGN INVESTMENT SCREENING COMMITTEE (REF -). SIMILARLY , PRIME MINISTER'S STRONG HINT THAT ENI WILL GET NO RANGER EQUITY IS HARDLY SURPRIZING IN LIGHT OF WELL-KNOWN GOA VIEWS ON URANIUM. MOST SIGNIFICANT ASPECT OF AUGUST 12 SPEECH IS WHITLAM'S STATEMENT THAT "OLD" FOREIGN INVESTMENT MUST FOLLOW SAME GUIDELINES

AS "NEW". GIVEN PREVIOUS PRONOUNCEMENTS BY PRIME MINISTER AND OTHER HOWEVER, THIS LIKEWISE CAN SCARCELY BE SEEN AS STARTLING OR UNEXPECTED. MOREOVER, BECAUSE OF PAST STATEMENT OF THE GOVERNMENTS INTENT, MAJOR FOREIGN FIRMS NATUARLLY MAKE A PRACTICE OF SEEKING INFORMAL GOVERNMENT ADVICE BEFORE PROCEEDING WITH IMPORTANT NEW INVESTMENT INITIATIVES. IN SUCH CASES, ADVICE THEY RECEIVED FROM THE GOVERNMENT (CUSTOMARILY THE TRESURY,) NORMALLY ANTICIPATES THE PROJECTED LEGISLATION. FOR THIS REASON EVEN IN THE ABSENCE TO DATE OF DEFINITIVE INVESTMENT LEGISLATION, THE BROAD PRECEPTS LAID DOWN BY WHITLAM ARE ALRADY TENDING TO BE APPLIED IN PRACTICE.

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